ALASKA ECONOMIC TRENDS

January 1991

SITKA

ECONOMY HEADS INTO WINTER

1990 INDEX OF ARTICLES

ALASKA DEPARTMENT OF LABOR

WALTER J. HICKEL, GOVERNOR

ALASKA ECONOMIC
TRENDS

Contents

Alaska Economic Trends is a monthly publication dealing with economic-related issues of Alaska. Opinions and analyses expressed by guest authors may not be consistent with those of the Alaska Department of Labor.

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Volume 11
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Alaska State Employment Service

UNEMPLOYMENT INSURANCE

maintaining the foundation of economic security

1 Sitka: A Rich History and A Diverse Economy

9 Alaska's Employment Scene
Economy Heads into Winter

Employment Scene Tables:

9-12-13 Nonagricultural Wage and Salary Employment By Place of Work

14 Hours and Earnings for Selected Industries

16 Labor Force by Region and Census Area

Back Cover: 1990 Trends Article Index

Cover design by Jim Fowler

MADE in ALASKA

Sitka: A Rich History and A Diverse Economy

By Brian N. Rae

Few cities in Alaska can match Sitka's historic diversity. This

Southeast Alaska community has a unique blend of Native, Russian and American cultures which reflects the origins of the city's inhabitants. Sitka was Alaska's capital under both the Russian and American flags. However, the city's rich and varied history is not the only thing unique about Sitka — other superlatives also apply.

The City and Borough of Sitka is, in land area, the largest city in the United States. It includes almost all of Baranof Island (the community of Port Alexander being outside the borough boundary), all of Krestof and about one-half of Chichagof Island. It is the only Southeast Alaskan community situated on the outside waters, an important factor in the structure of its economy.

A Tlingit Village Turned Russian Fur Trading Post

The first commercial use of Sitka was for the Russian fur trade. Alexander Andreevich Baranov led the expedition which brought the first Russians to Sitka on May 25, 1799. The crew built their camp about six miles from the current city, which at the time was a Tlingit village.

The Tlingits were expert hunters, and supplied the traders with thousands of sea otter pelts in exchange for guns, powder, lead and whiskey. Baranov disapproved of the goods used for trade, fearing that the Tlingits might attack the community. One and one-half years after the settlement was built, Baranov's fears were realized. Most of the Russians were killed in the attack and the remainder were rescued and returned to Kodiak.

In 1804 the Russians returned to retake Sitka. After much fighting, a round of protracted negotiations ensued. The Tlingits, facing many Russian troops with superior weapons, slipped out of Sitka in the night. While Baranov reclaimed the village, bands of warriors continued to attack anyone leaving the safety of the settlement. Still, a city was built which became the largest fur trading center in Southeast Alaska. The area also produced goods for sale to the trading fleet. A processing facility provided barrels of salted

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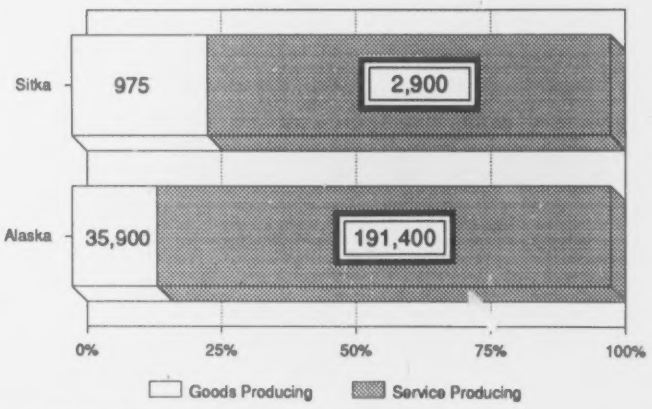
Figure • 1

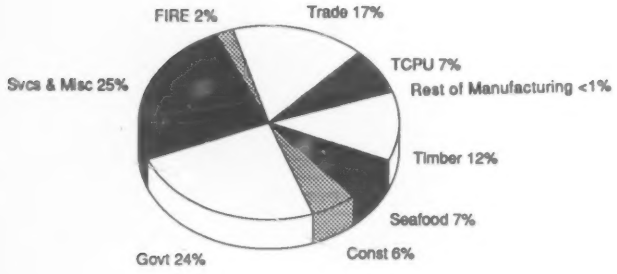
Employment by Type
Goods Producing vs. Service Producing



Source: Alaska Department of Labor, Research and Analysis Section.

Figure • 2

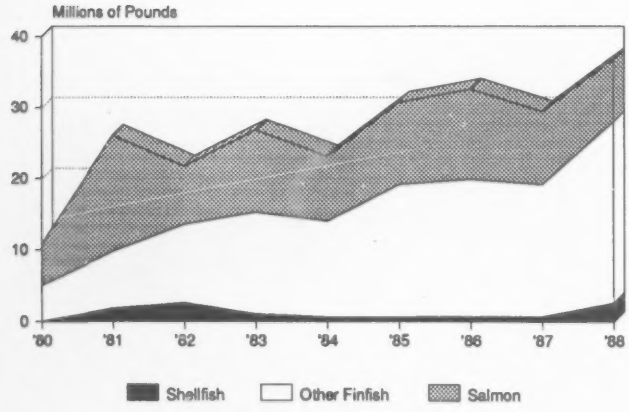
City and Borough of Sitka Employment 1989



Source: Alaska Department of Labor, Research and Analysis Section.

Figure • 3

Seafood Production by Weight Sitka Seafood Processors, 1980-88



Source: Alaska Department of Fish and Game, Commercial Fisheries Entry Commission.

fish, and gardens supplied fresh produce. A local shipyard made both large and small ships to replace those lost at sea, while a foundry cast ships' gear, bells and cannon.

Because of declines in the stocks of fur animals and a lack of good management and development, the Russian companies abandoned Sitka as a source of furs. Other countries were setting up trading posts in Alaska, even though the land was under Russian control. Seeing their income decline along with the sea otter population, and afraid that another country (probably the United States or Britain) would take the land by force, the Russian government sold Alaska to the United States on October 18, 1867. In a ceremony on Sitka's Castle Hill, the Russian flag was lowered and replaced by the U.S. flag.

Sitka was dealt a blow when the territorial capital was moved to Juneau. The process took some time, but began in 1904. Although most Sitkans were not troubled by its relocation, the city lost what would eventually become a major part of the state's economy.

Gold Rush Bypassed Sitka

Sitka saw little development in the late 1800s. In 1912 seals became the new sea otters, and were hunt-

ed heavily for six years. Fishing was an important industry, and expanded rapidly until 1941 when it fell into a long term decline. However, Sitka was virtually bypassed by the single most important event in Alaska's early development.

The greatest impetus in Alaska's early growth was the gold rush of the late nineteenth and early twentieth centuries. Gold was first discovered in Southeast near Sitka at the Cache Mine in 1872. While this find brought some prospectors into the area, larger strikes occurred on the mainland. Prospectors bypassed Sitka, traveling through Skagway heading for the Yukon or up drainages near Juneau and up the Stikine river.

Sitka Capitalized on Its Resources

While Sitka did not see much of the boom from gold, its economy remained viable. The initial dependence on the sea otter and seal trades was not sustainable, but some of the advantages which made Sitka a successful trading post continue to help its economy to this day.

When looking at the Sitka economy, many of the industries are there because of the area's natural resources. This is evident in the amount of manufacturing employment that is located in Sitka. (See Table 1.) The city has a much larger share of goods producing industry employment than does the state as a whole. (See Figure 1.)

Another thing unique about Sitka is its economic diversity. Most Southeast Alaska communities rely on either the forest products industry, the seafood industry, government employment, or the tourist trade for the bulk of their economic activity. Sitka incorporates a share of all of these industries in its economy. (See Figure 2.)

Fishing: A Steady Presence in the Local Economy

As in its fur trading days, the waters around Sitka are productive fishing areas, and companies have taken advantage of this by locating processing facilities there. Processing is not the only side of

Table • 1

City and Borough of Sitka Employment by Industry 1989 by Quarter and Annual Average

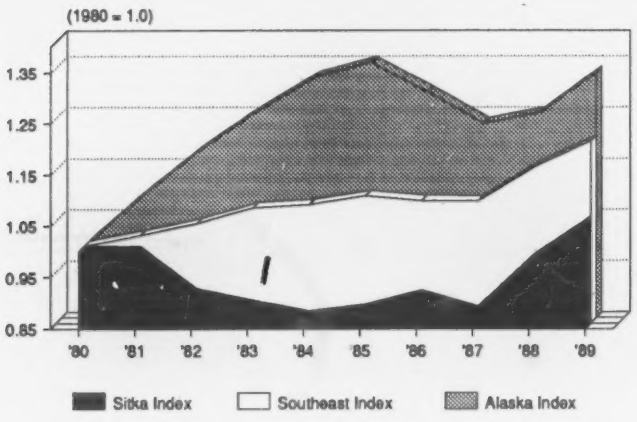
	89/1	89/2	89/3	89/4	Annual Average
TOTAL EMPLOYMENT	3,517	4,140	4,325	3,844	3,957
Goods Producing 1/	700	1,135	1,249	821	976
Construction	153	255	291	190	222
Manufacturing	547	880	958	631	754
Seafood Processing	130	373	423	216	286
Other Manufacturing	417	507	535	415	469
Service Producing 1/	2,817	3,005	3,076	3,023	2,981
Transportation	235	291	342	258	282
Trade	591	678	670	633	643
Wholesale	39	84	72	58	63
Retail	552	594	598	575	580
Finance, Ins. & Real Estate	79	89	82	91	85
Services & Misc. 1/	929	977	1,033	1,015	989
Services	893	921	956	981	938
Government	983	970	949	1,026	982
Federal	243	263	278	257	260
State	284	276	278	287	281
Local	456	431	393	482	441

1/ Because of confidentiality constraints, mining has been included in Services & Miscellaneous employment totals.

Source: Alaska Department of Labor, Research and Analysis Section.

Figure • 4

Employment Index
Sitka, Southeast & Alaska



Source: Alaska Department of Labor, Research and Analysis Section.

the industry in Sitka. Fishing boats also call the city home for its readily accessible port and service center.

Sitka has the largest number of boat berths of any Southeast city, at 1,150, and one of the few dry docks in the region. In 1989 there was one berth for every 7.2 residents of the borough, compared to one for every 11.5 residents of Southeast. Fishing boats occupied over 50% of all berths in Sitka. Considering the number of limited entry salmon permits owned by Sitkans, this is not surprising. The Commercial Fisheries Entry Commission reports that at the end of 1988, Sitka fishermen owned 393 permits — 16 seine, 5 drift gill net, 190 power troll and 182 hand troll.

The Alaska Department of Labor does not keep statistics on fish harvesting employment (since fishermen and their crews are considered self-employed), so it is difficult to say how many Sitkans worked at this craft. However, it is apparent that many Sitka families and companies benefit from the employment opportunities and money earned in the Southeast fisheries.

Sitka fishermen, and the processors located there, know their business is volatile. In the best of times, price and quantity of their catch is high. In the worst, neither is. Figure 3 shows how the amount of product processed has changed since 1980. Sitka's main seafood products are salmon, herring and shellfish, although other products are beginning to appear in local processing facilities. While the harvests are cyclical, total production has generally increased since 1980. These increased activities at the processors came at a time when some other industries in Sitka were on the decline. Without the increase in seafood production, the fall in employment during the early 1980s would have been even more dramatic.

While the fishing industry has thrived in Sitka, the community has also taken advantage of its location and its early beginnings to become a regional trade and service center in Southeast. While Juneau and Ketchikan serve more communities and can offer a wider variety of services, Sitka has its own areas and industries that it serves, and its own specialties it can provide consumers throughout the region.

Sitka is a Regional Center for Higher Education

One service which Sitka provides for more than just the local community is higher education. Sitka's Sheldon Jackson is one of the few private colleges in Alaska. A branch campus of the University of Alaska-Southeast is also located there. In addition, the only state-operated boarding high school in Alaska, Mt. Edgecumbe, draws Alaska Native students from all over the state to Sitka. These schools offer basic education to their students, but they also do more. Each school specializes in areas of importance to Sitka, ranging from marine research to Native art.

The schools are held in high esteem by many Sitkans. They help the local economy through student expenditures, but many also credit the schools with helping Sitka grow economically.

Their innovative programs show new business opportunities and provide solutions to current development related problems. For example, Mt. Edgecumbe operates a smoked fish business, selling their product on the Japanese market. Students are required to take either Mandarin Chinese or Japanese language classes, and can take college courses through a cooperative agreement with the University of Alaska.

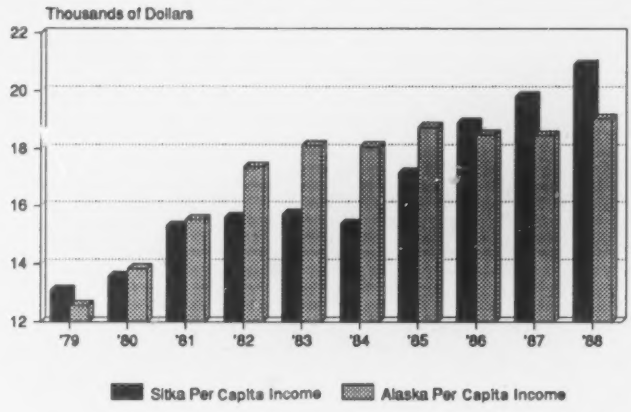
Health Care Is An Important Employer In Sitka

The second large service industry in Sitka is health care. While Sitka can claim the first hospital ever built in Alaska (built while Sitka was still a Russian trading post). The prominence of the health care industry is a modern-day occurrence. The former Bureau of Indian Affairs Hospital, now operated by the Southeast Alaska Regional Health Corporation (SEARHC), the Sitka Community Hospital, and the Pioneers' Home combined employ over 400 Sitkans.

This figure does not include the number of health care providers in private practice and their staff. When this employment is included, employment in the health care industry accounts for one in every nine jobs in the city. This is an incredibly high percentage - in Alaska only one in 23 jobs are in the health care industry.

Figure • 5

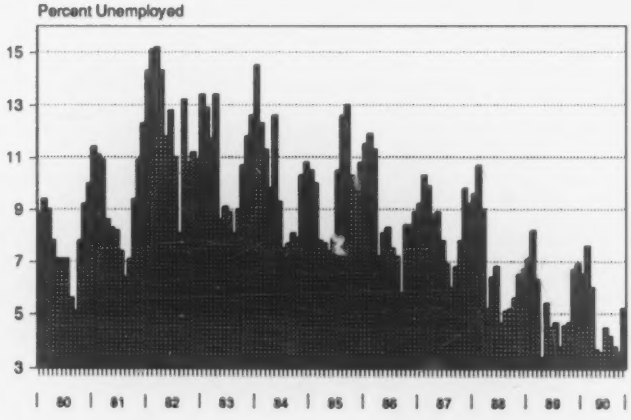
Per Capita Income — Sitka & Alaska 1979-88



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Figure • 6

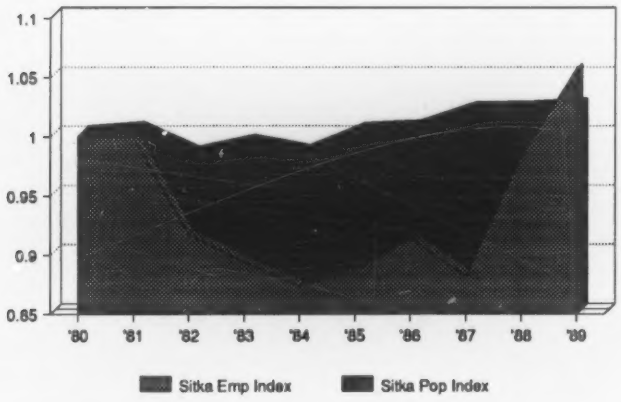
Sitka Unemployment Rate by Month, 1980-90



Source: Alaska Department of Labor, Research and Analysis Section

Figure • 7

Employment & Population Index



Source: Alaska Department of Labor, Research and Analysis Section.

Wood Products Industry Adds to Economic Diversity

The area's timber resources are the basis for another of Sitka's major industries. The creation of a pulp and timber industry, however, was undertaken more by government agencies than by individual Sitkans. In the 1940s, the federal government was looking for a way to populate Southeast Alaska. An industry capable of providing year-round jobs to residents was needed. The government saw the creation of a timber industry with its additional employment as a means to that end. The new industry would provide jobs and year-round resident employment.

Tourism A Growing Industry

During the last several years, Sitkans have found yet another way to take advantage of what they have — they show it off. Tourists have several reasons to visit during their Alaska vacations. Sitka's rich history and cultural diversity make it an attractive point of interest for visitors.

Last year 137,000 pleasure visitors, over 40% of all visitors to Southeast, saw Sitka. Over the years, local operators have become more aggressive in marketing their services. Tourists to the city, even those on tight schedules such as cruise ship passengers, find many ways to spend their time and money in Sitka. They can take advantage of guided small boat tours to see local historical sites and wildlife, take a charter boat to local halibut fishing grounds, see Native art and dancers, or visit a raptor rehabilitation center. They can also take walking tours of the city and its attractions and browse through the shops and museums. All totaled, visitors spent $4.6 million in Sitka in 1989.

In the 1950s, several-long term contracts were signed with forest product companies guaranteeing them the necessary supply of timber to build and operate mills in Southeast Alaska. Only two companies which signed contracts still operate in the area, and Sitka is the location of one of these companies.

Alaska Lumber and Pulp Company, a Japanese-owned pulp mill located on Silver Bay, is the largest privately-owned firm in Sitka. The company employs about 400 in the mill, with additional employees in their logging operations. The number of Sitkans employed in the industry and their relatively high rates of pay make this one of the most important industries for the city.

Early '80s a Rough Period for Sitka

Although no one industry dominates Sitka's economy, the city's small size leads to some inherent instability. In the past, Southeast has shown a steadier growth rate than the state as a whole, largely avoiding the major booms and busts which have plagued the state. (See Figure 4.) Sitka has not, unfortunately, been able to totally avoid them.

In 1980 Sitka's economy was doing well. The timber market was strong, with high prices and demand boosting employment to near record highs. Sitka had also seen employment gains through the Sitka Community Association's participation in the Comprehensive Employment and Training Act (CETA) program. This federally funded jobs program boosted employment by nearly 300 during the late 1970s.

Two events occurred simultaneously which affected Sitka's employment. First, the Reagan administration phased out the CETA program from 1980 through 1982. The second event was a weakening in the timber market.

A sagging timber industry explains a large share of Sitka's employment drop from 1980 through 1985. Weak market conditions drove forest products employment down during a time when increased government revenues, and spending, were bolstering economies in other parts of the state. During this time, Alaska's per capita income was increasing rapidly, but Sitka's remained nearly flat. (See Figure 5.) The city's unemployment rate increase during the early 1980s was in large part caused by the weakening timber market. (See Figure 6.)

In addition, the lack of jobs and a high unemployment rate forced many to leave the city, and the population fell below its 1980 level in 1982 through 1984. (See Figure 7.) This out-migration helped ease the unemployment problem, but contributed to the area's economic downturn.

Timber Recovery Fueled Mid-'80s Turnaround

In 1985, the market for timber products regained its strength, boosting both the local economy and its employment. Combining the gains in the timber industry with good fishing seasons helped Sitka post large employment gains in 1988 and 1989. The city's economy is currently very strong, with both per capita income and unemployment rates at favorable levels compared to the remainder of the state.

The Outlook for Sitka's Economy

While the diversity of seafood, timber and tourism activities has helped stabilize the city's economy to date, there is the possibility for changes in all of these areas. Seafood seems to be the area with the greatest potential for growth, while both tourism and timber will have to contend with certain problems in the future.

New Products Offer Fishery Some Growth Potential

Although it will always have to contend with the fluctuations of the market and of the harvests, the seafood industry is expanding into other product lines and Sitka processors are some of the leaders in this trend. Some processors have taken traditional products and creatively packaged them into new forms. Now, instead of shipping out filets or other semi-processed forms, microwaveable frozen entrees and packaged portions are being prepared locally.

The industry is also expanding into totally new products. Both sea cucumbers and sea urchins have proven to be marketable products, and at least two Sitka processors have the facilities necessary to process them. Unlike the traditional fisheries, cucumbers and urchins are harvested by divers, who must obtain permits from the Alaska Department of Fish and Game. Currently about 60 people are registered to dive for cucumbers in the Sitka area. The increased harvest and demand for permits, as well as concerns about the subsistence use of these resources, prompted the department to put a moratorium on their harvest. When the total population and acceptable harvest levels are better established, the new fishery can resume. Fish and Game staff believe this should happen sometime in early 1991.

Processing cucumbers and urchins will probably not employ hundreds of workers, but there is an important aspect to this fishery. These products are at their prime in the winter months, when most processors are shut down and employees are without work. Even the addition of 50 jobs, a realistic level given current demand, would have a positive impact on the local economy.

Industry representatives also see larger markets for products such as geoduck, horse clams, and abalone if the resources are available for expansion. The availability of resources is a concern for many fishermen and processors, particularly in the more traditional fisheries. High seas interception of salmon destined for Alaska's waters continues to present a problem, and some feel that certain fisheries could be wiped out if the process continues.

Timber Industry Stable But Uncertain

Sitka's timber industry seems, at least for the moment, to be stable. The industry has just worked through a major piece of compromise legislation on the Tongass National Forest. Although the full impacts are not yet clear, the general consensus is that the compromise will provide enough logs for the two Southeast mills

to continue to operate under the current circumstances. Other factors, however, could place additional pressures on the industry.

It appears that the market for dissolving pulp is weakening, so prices will probably decline. The Sitka mill has, in the past, relied heavily on logs from Native land. As the supply of Native logs continues to fall, and the expense of harvesting the less accessible stands drives up prices, profits could be reduced. Also, many of the timber operations are having problems with waste disposal, and the Sitka mill is not immune from these problems. Finally, several of the timber harvest operations are currently blocked by litigation. The court should rule on these cases soon.

Even with all these problems, it appears that the Sitka mill will continue to operate for the foreseeable future. Given the pulp log supply situation, large scale employment gains are unlikely. Still, the mill should remain one of the city's largest employers and a stabilizing factor in the local economy.

U.S. Recession Could Threaten Tourist Trade

Tourism also faces some problems in Alaska, but Sitka should continue to get at least its current share of the visitors in the future. For 1991, the number of visitors is expected to increase as a large number of cruise ship dockings are scheduled for Sitka. Several factors, however, might contribute to reduce the total number of visitors in future years. Many economists have declared that a recession is occurring in the Lower 49 states. During recessionary times, people have less discretionary income, and are less able to afford the expense of an Alaskan vacation. These people might substitute a vacation destination closer to their home, saving money in the process.

For those that can afford more expensive vacations, the opening of Eastern Europe presents tough competition for Alaska. That area has been closed to tourists for many years, and many Americans trace their ancestors to Europe. There is probably pent up demand to visit Europe, at the expense of Alaska's tourist trade. Fortunately for Sitka, tourist-related ventures seem well established and well versed in luring visitors to their establishments.

Diversity Will Continue to be Sitka's Economic Strength

Sitka has a rich history, many natural resources, and the advantage of being one of the oldest settlements in Southeast Alaska. The city has not squandered these advantages, and has become a regional trade and service center. The city specializes in two industries, education and health care, providing services to people throughout the region and the state.

Still, resource-based industries provide the foundation for Sitka's economy. The city serves as a base of operations for many fishermen participating in the salmon, halibut, shellfish, herring and bottom fisheries, as well as a home for many of the workers in Sitka's processing plants. The local pulp mill provides year-round employment to about 400 Sitkans. Both of these industries inject large amounts of money into the local economy.

Although the city has not been able to avoid all of the booms and busts which have occurred in the state's history, its economic diversity helps insulate it from most such shocks. Overall, the city should continue this trend. The fishing and tourism industries appear to be positioned for future growth, and this should manifest itself throughout the Sitka economy. New products in the seafood industry and continued expansion of tourist-related services will be the main reasons for this growth.

The future for the region's timber industry is not as bright. Given recent congressional actions and the current national climate of conservation in favor of expanding development, there is little room for industry growth. Still, the industry should survive for the foreseeable future, continuing to provide jobs and income to Sitkans.

The area will not be without its ups and downs — it has gone through them before and survived, and it will go through them again. The diversity of Sitka's economy will, however, allow the city to continue to be an important part of the Alaskan economy for years to come.

Economy Heads into Winter

By Holly Stinson

Alaska's economy exhibited its usual seasonal slowdown in October, losing 10,000 jobs from September. Every industry lost jobs except local government, which invariably increases at this time of year due to job gains associated with the beginning of a new school year. While the employment change from September to October painted a grim picture, a look at a longer horizon is more upbeat. There were 4,300 more jobs in Alaska this October than there were in October of 1989. (See Table 1.)

While the number of jobs available declined, Alaska's unemployment rate remained unchanged from September's 6.4%. (See Table 4.) In October of 1989, the same percent of the labor force was unemployed. These were the lowest unemployment figures for October in recent memory. (See Figure 1.)

Last winter's growth rate of 5% faded as the year progressed. The employment growth rate declined during the summer months of 1990 because there

Table • 1

Nonagricultural Wage and Salary Employment
By Place of Work — Alaska

	p/ 10/90	r/ 9/90	10/89	Changes from: 9/90	Changes from: 10/89
Total Nonag. Wage & Salary	235,200	245,200	230,900	-10,000	4,300
Goods-producing	37,100	42,800	36,200	-5,700	900
Mining	11,200	11,400	10,600	-200	600
Construction	12,100	13,400	11,800	-1,300	300
Manufacturing	13,800	18,000	13,800	-4,200	0
Durable Goods	4,000	4,200	4,200	-200	-200
Lumber & Wood Products	3,100	3,300	3,400	-200	-300
Nondurable Goods	9,800	13,800	9,600	-4,000	200
Seafood Processing	6,000	10,000	5,900	-4,000	100
Pulp Mills	900	900	900	0	0
Service-producing	198,100	202,400	194,700	-4,300	3,400
Transportation	19,900	20,800	19,800	-900	100
Trucking & Warehousing	2,500	2,600	2,400	-100	100
Water Transportation	1,300	1,400	1,400	-100	-100
Air Transportation	6,500	6,800	6,300	-300	200
Communications	3,400	3,300	3,200	100	200
Trade	46,200	48,000	45,100	-1,800	1,100
Wholesale Trade	8,400	8,900	8,100	-500	300
Retail Trade	37,800	39,100	37,000	-1,300	800
Gen. Merch. & Apparel	5,800	5,600	5,700	200	100
Food Stores	6,800	7,000	6,700	-200	100
Eating & Drinking Places	13,100	14,300	13,100	-1,200	0
Finance-Ins. & Real Estate	10,700	10,800	10,500	-100	200
Services & Misc.	48,900	50,600	47,800	-1,700	1,100
Hotels & Lodging Places	5,100	6,100	5,000	-1,000	100
Government	72,400	72,200	71,500	200	900
Federal	18,900	19,100	18,700	-200	200
State	21,900	22,100	21,900	-200	0
Local	31,600	31,000	30,900	600	700

Notes: Prepared in cooperation with the U.S. Bureau of Labor Statistics.

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

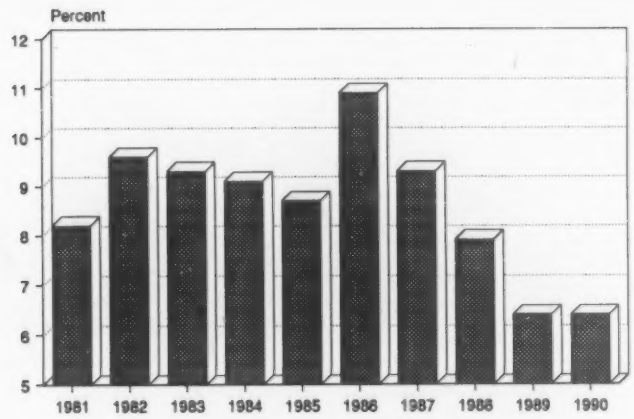
The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark date: March 1989
p/ denotes preliminary estimates r/ denotes revised estimates

Source: Alaska Department of Labor, Research & Analysis Section.

Figure • 1

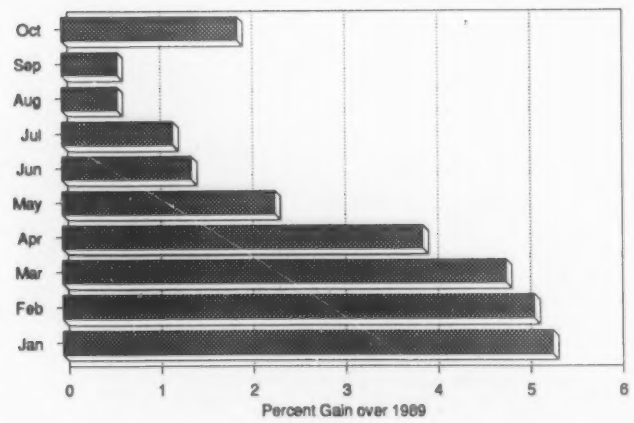
October Unemployment Rates for Alaska 1981-1990



Source: Alaska Department of Labor, Research and Analysis Section.

Figure • 2

Employment Growth in 1990



Source: Alaska Department of Labor, Research and Analysis Section.

was no project to temporarily employ thousands of workers like there was during the oil spill cleanup in the summer of 1989. (See Figure 2.) By October of last year the number of jobs available on the cleanup had been reduced to a point where they had a small impact on the total employment available in the economy. This October marks a milestone, because growth rates can now be measured against months not affected by the short-lived cleanup jobs of 1989. Currently the statewide employment growth rate is just under 2%, a fairly good representation of what recent employment grow[illegible] been without f[illegible] in the impact s[illegible] had on employ[illegible].

Mixed News in Timber, Oil for Gulf Coast Region

While the spill cleanup had little influence on the economic picture statewide, that was not the case for the Gulf Coast region. (Gulf Coast includes the Kenai and Kodiak Island Boroughs and the Valdez-Cordova census area.) In October of 1989 there were still a few hundred cleanup workers in the Gulf Coast region. These jobs were missing in October 1990, which explains the downward trend in this region's employment when compared to the year ago total. (See Table 2.) Also missing from this October's Gulf Coast count were many

state government jobs which were temporarily created to deal with the spill.

Except for 1989's employment spike, this region is supporting more jobs now than ever before. The services industry-which includes health care, lodging, business services, amusement and recreation- is one of the main contributors to employment growth. Although the local population demanding services is equivalent to what it was in 1985, increased tourism benefits this industry.

The Kenai Peninsula received mixed news from their fledgling timber industry. Klukwan, Inc. ended logging in the area, citing a soft Japanese market as the main reason. Also in October Chugach Alaska's new sawmill in Seward added a second shift, meaning 25 additional employees on the payroll.

Mixed news also came from oil companies in Cook Inlet. Union Oil announced plans to spend $300 million on exploratory drilling over the next five years. Shortly afterwards, ARCO Alaska abandoned its exploratory efforts in Cook Inlet.

Northern Employment Growth Based on Mining Industry

While news from the Cook Inlet oil fields was mixed, the oil industry remained strong on the North Slope. Jobs associated with the oil industry almost exclusively explain the Northern region's employment growth. Together, the mining and construction industries had 500 more jobs this October than last, and the construction jobs are mainly at the oil fields. Even with the loss of jobs next year when ARCO and BP merge their operations at Prudhoe Bay, other developments should keep this region's mining employment from falling.

Positive News In Anchorage from Real Estate & Military Sectors

Employment growth in the oil and gas industry was not limited to northern Alaska. Increased oil and gas employment contributed to an annual growth rate of 3% in Anchorage. October marked the beginning of a third year of economic recovery for Anchorage, and that recovery continues to pick up speed. During the first ten months of 1990 Anchorage gained more than 4,000 jobs over the solid growth in 1989.

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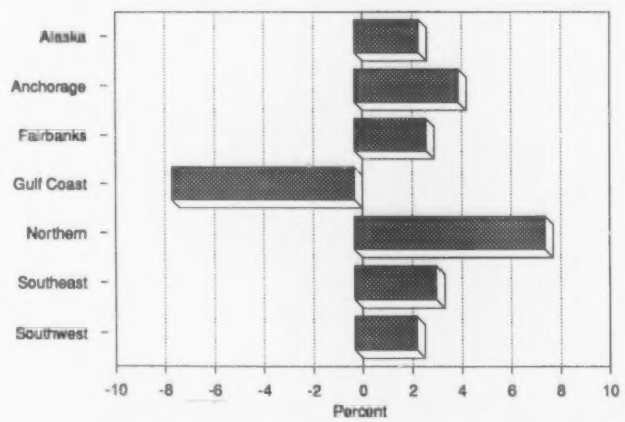
The last sector in Anchorage's economy to recover from the 1986-88 recession was the finance, insurance and real estate industry. However, most portions of this industry managed to eke out growth in 1990. The Anchorage housing market continues to improve. Through October, building permits for new single family homes were more than double what they were in 1989. Also in October, the Alaska Housing Finance Corporation (AHFC), which bore a huge financial brunt from Anchorage foreclosures, announced a profit for fiscal year 1990 after two years of losses.

Other positive news came from Anchorage's military establishment. The Air Force announced they will station another F-15 squadron at Elmendorf. This means 930 additional military personnel

Figure 3

Employment Growth Rates
Ten Month Averages, 1990 vs. 1989



Source: Alaska Department of Labor, Research and Analysis Section.

Table • 2

Nonagricultural Wage and Salary Employment By Place of Work

Municipality of Anchorage

	p/ 10/90	r/ 9/90	10/89	Changes from: 9/90	Changes from: 10/89
Total Nonag. Wage & Salary	111,500	113,000	108,200	-1,500	3,300
Goods-producing	12,150	13,000	11,350	-850	800
Mining	3,700	3,750	3,550	-50	150
Construction	6,250	6,800	5,800	-550	450
Manufacturing	2,200	2,450	2,000	-250	200
Service-producing	99,350	100,000	96,850	-650	2,500
Transportation	10,700	10,900	10,450	-200	250
Trucking & Warehousing	1,400	1,550	1,400	-150	0
Water Transportation	300	250	300	50	0
Air Transportation	3,950	4,100	3,950	-150	0
Communications	2,000	1,950	1,850	50	150
Trade	26,650	27,050	26,050	-400	600
Wholesale Trade	6,250	6,350	6,050	-100	200
Retail Trade	20,400	20,700	20,000	-300	400
Gen. Merch. & Apparel	2,900	2,900	2,900	0	0
Food Stores	3,100	3,300	3,150	-200	-50
Eating & Drinking Places	8,050	8,200	7,850	-150	200
Finance-Ins. & Real Estate	6,850	6,950	6,800	-100	50
Services & Misc.	27,800	27,950	27,100	-150	700
Hotels & Lodging Places	2,450	2,450	2,350	0	100
Government	27,350	27,150	26,450	200	900
Federal	10,300	10,350	10,250	-50	50
State	8,100	8,050	7,750	50	350
Local	8,950	8,750	8,450	200	500

Fairbanks North Star Borough

	p/ 10/90	r/ 9/90	10/89	Changes from: 9/90	Changes from: 10/89
Total Nonag. Wage & Salary	28,050	29,250	27,300	-1,200	750
Goods-producing	2,700	3,000	2,650	-300	50
Mining	200	250	200	-50	0
Construction	1,950	2,150	1,900	-200	50
Manufacturing	550	600	550	-50	0
Service-producing	25,350	26,250	24,650	-900	700
Transportation	2,100	2,200	1,950	-100	150
Trucking & Warehousing	500	550	450	-50	50
Air Transportation	400	400	350	0	50
Communications	200	200	250	0	-50
Trade	6,050	6,600	5,850	-550	200
Wholesale Trade	800	800	700	0	100
Retail Trade	5,250	5,800	5,150	-550	100
Gen. Merch. & Apparel	600	600	650	0	-50
Food Stores	850	850	850	0	0
Eating & Drinking Places	1,850	2,450	1,750	-600	100
Finance-Ins. & Real Estate	900	950	900	-50	0
Services & Misc.	6,150	6,350	5,900	-200	250
Government	10,150	10,150	10,050	0	100
Federal	3,000	3,100	3,100	-100	-100
State	4,400	4,300	4,300	100	100
Local	2,750	2,750	2,650	0	100

Anchorage-MatSu Region

	p/ 10/90	r/ 9/90	10/89	Changes from: 9/90	Changes from: 10/89
Total Nonag. Wage & Salary	118,800	120,350	115,350	-1,550	3,450
Goods-producing	12,700	13,500	11,800	-800	900
Mining	3,850	3,900	3,650	-50	200
Construction	6,550	7,050	6,050	-500	500
Manufacturing	2,300	2,550	2,100	-250	200
Service-producing	106,100	106,850	103,550	-750	2,550
Transportation	11,500	11,750	11,250	-250	250
Trade	28,350	28,800	27,800	-450	550
Finance-Ins. & Real Estate	7,250	7,350	7,200	-100	50
Services & Misc.	29,100	29,300	28,400	-200	700
Government	29,900	29,650	28,900	250	1,000
Federal	10,450	10,500	10,350	-50	100
State	8,850	8,800	8,600	50	250
Local	10,600	10,350	9,950	250	650

Interior Region

	p/ 10/90	r/ 9/90	10/89	Changes from: 9/90	Changes from: 10/89
Total Nonag. Wage & Salary	32,150	33,700	31,550	-1,550	600
Goods-producing	3,000	3,300	2,900	-300	100
Mining	350	400	300	-50	50
Construction	2,050	2,250	2,000	-200	50
Manufacturing	600	650	600	-50	0
Service-producing	29,150	30,400	28,650	-1,250	500
Transportation	2,350	2,550	2,200	-200	150
Trade	6,450	7,100	6,250	-650	200
Finance-Ins. & Real Estate	950	1,000	950	-50	0
Services	6,750	7,100	6,500	-350	250
Government	12,650	12,650	12,750	0	-100
Federal	3,600	3,800	3,750	-200	-150
State	4,650	4,650	4,600	0	50
Local	4,400	4,200	4,400	200	0

Notes: Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark date: March 1989 p/ denotes preliminary estimates r/ denotes revised estimates

(cont. on page 13)

Source: Alaska Department of Labor, Research & Analysis Section.

Nonagricultural Wage and Salary Employment By Place of Work

Southeast Region

	p/ 10/90	r/ 9/90	Changes from: 10/89	9/90	10/89
Total Nonag. Wage & Salary	32,900	35,800	33,050	-2,900	-150
Goods-producing	6,500	7,850	6,900	-1,350	-400
Mining	350	350	300	0	50
Construction	1,300	1,350	1,300	-50	0
Manufacturing	4,850	6,150	5,300	-1,300	-450
Durable Goods	2,800	3,000	3,200	-200	-400
Lumber & Wood Products	2,650	2,850	3,050	-200	-400
Nondurable Goods	2,050	3,150	2,100	-1,100	-50
Seafood Processing	950	2,050	1,050	-1,100	-100
Pulp Mills	900	900	900	0	0
Service-producing	26,400	27,950	26,150	-1,550	250
Transportation	2,350	2,700	2,400	-350	-50
Trade	5,500	5,800	5,200	-300	300
Wholesale Trade	700	700	600	0	100
Retail Trade	4,800	5,100	4,600	-300	200
Finance-Ins. & Real Estate	1,100	1,150	1,100	-50	0
Services & Misc.	5,100	5,550	5,150	-450	-50
Government	12,350	12,750	12,300	-400	50
Federal	2,200	2,400	2,150	-200	50
State	5,400	5,550	5,550	-150	-150
Local	4,750	4,800	4,600	-50	150

Gulf Coast Region

	p/ 10/90	r/ 9/90	Changes from: 10/89	9/90	10/89
Total Nonag. Wage & Salary	21,750	24,450	22,350	-2,700	-600
Goods-producing	5,250	6,900	5,250	-1,650	0
Mining	950	950	900	0	50
Construction	1,100	1,200	1,200	-100	-100
Manufacturing	3,200	4,750	3,150	-1,550	50
Seafood Processing	2,100	3,650	2,100	-1,550	0
Service-producing	16,500	17,550	17,100	-1,050	-600
Transportation	1,700	1,750	2,150	-50	-450
Trade	3,700	4,000	3,700	-300	0
Wholesale Trade	500	550	500	-50	0
Retail Trade	3,200	3,450	3,200	-250	0
Finance-Ins. & Real Estate	550	600	550	-50	0
Services & Misc.	4,200	4,950	4,200	-750	0
Government	6,350	6,250	6,500	100	-150
Federal	600	650	600	-50	0
State	1,900	2,000	2,100	-100	-200
Local	3,850	3,600	3,800	250	50

Northern Region

	p/ 10/90	r/ 9/90	Changes from: 10/89	9/90	10/89
Total Nonag. Wage & Salary	15,100	15,400	14,450	-300	650
Goods-producing	6,500	6,800	6,000	-300	500
Mining	5,700	5,750	5,400	-50	300
Service-producing	8,600	8,600	8,450	0	150
Government	4,550	4,450	4,500	100	50
Federal	300	300	250	0	50
State	350	350	350	0	0
Local	3,900	3,800	3,900	100	0

Southwest Region

	p/ 10/90	r/ 9/90	Changes from: 10/89	9/90	10/89
Total Nonag. Wage & Salary	14,350	15,450	14,250	-1,100	100
Goods-producing	3,400	4,550	3,300	-1,150	100
Seafood Processing	2,750	3,900	2,800	-1,150	-50
Service-producing	10,950	10,900	10,950	50	0
Government	6,400	6,200	6,550	200	-150
Federal	1,400	1,400	1,400	0	0
State	550	550	550	0	0
Local	4,450	4,250	4,600	200	-150

Notes: Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

The employment numbers that appear above are definitionally different from those that appear in the Labor Force table.

Benchmark date: March 1989 p/ denotes preliminary estimates r/ denotes revised estimates

Source: Alaska Department of Labor, Research & Analysis Section.

Table • 3

Alaska Hours and Earnings for Selected Industries [1/2]

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	p/ 10/90	r/ 9/90	10/89	p/ 10/90	r/ 9/90	10/89	p/ 10/90	r/ 9/90	10/89
Mining	$1,081.10	$1,204.54	$1,039.90	47.5	52.6	46.8	$22.76	$22.90	$22.22
Construction	1,152.33	1,217.92	1,097.47	46.9	48.6	45.9	24.57	25.06	23.91
Manufacturing	566.29	533.39	542.14	41.7	41.9	39.4	13.58	12.73	13.76
Seafood Processing	386.78	380.79	325.08	40.8	41.3	36.0	9.48	9.22	9.03
Trans., Comm. & Utilities	566.77	600.83	644.47	33.3	35.7	38.8	17.02	16.83	16.61
Trade	414.61	429.95	396.17	34.9	36.1	34.6	11.88	11.91	11.45
Wholesale	588.53	565.56	546.06	40.2	39.8	38.7	14.64	14.21	14.11
Retail	357.23	382.10	346.61	33.2	34.8	33.2	10.76	10.98	10.44
Finance-Ins. & R.E	388.16	409.06	407.00	33.9	36.2	36.7	11.45	11.30	11.09

Notes: p/ denotes preliminary estimates r/ denotes revised estimates Benchmark: March 1989

[1]/ Prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor.

[2]/ Retail Trade excludes eating and drinking establishments.

Averages are based on data for full- and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.

Source: Alaska Department of Labor, Research & Analysis Section.

and 47 new civilian jobs by next fall, according to the military. Still being looked at is the amount of new construction needed for support facilities for the new squadron. Whether or not new base housing is built, the incoming military and their dependents would make a considerable dent in soaking up any excess housing in Anchorage (if, indeed, any remains).

Services, Transportation Expand In Fairbanks

The Fairbanks real estate market is also doing well. Rents for houses and apartments are rising, as is the average asking price for single-family homes. Overall, Fairbanks' economy is growing at close to 3% above 1989, based on the first ten months of the year. (See Figure 3.)

The services industry, whose fortunes can rise and fall with population fluctuations, is showing some of the strongest growth. However, anticipated new jobs in Fairbanks' hotel sector were pushed a year farther down the road by Princess Tours' announcement of a one-year delay for their new facility. Negotiations continue with the Alaska Railroad for a building site; other locations in Fairbanks are also under consideration.

Another industry largely dependent on population size, retail trade, also showed growth through October in spite of the closing of Nordstrom. This is the time of year when Alaskans receive their Permanent Fund dividend checks, which helps to boost retail sales.

Fairbanks' transportation industry is also growing. Lufthansa's cargo flights to the Orient began stopping in Fairbanks this fall, and airport officials hope to expand this sector.

Pollock Reaches Peak In Southwest

The mainstay of this region's economy, the fishing industry, reached a dubious "first" in October. For the first time ever, factory trawlers harvested the quota of pollock in the Bering Sea. By mid-October, the National Marine Fisheries Service halted pollock fishing in the area. This offered evidence that the American factory trawler fleet has reached its limit. Stagnant employment figures for seafood processing, which includes shorebased but very few floating processors, also points to a maximization of harvesting in this region.

Meanwhile, researchers at Kodiak's Fishery Industrial Technology Center had encouraging news in their search for a substitute for pollock to process into surimi. They finished their first batch of surimi processed from arrowtooth flounder, which is one of the most abundant of North Pacific

bottomfish. If pollock is or becomes overharvested, arrowtooth flounder might become a viable substitute for making surimi.

Other good news for the Southwest region came out of Bristol Bay, where the red king crab fishery has made a comeback since stocks crashed in the early 1980s. This season's harvest was almost double last year's; the catch was estimated at $85 million.

Southeast Registers Employment Decline in October

Southeast Alaska employment registered a decline in October. (See Table 2.) Although small, -.2%, or 50 jobs, it was the first time there were fewer jobs than the same month the previous year since September of 1987. Job loss in the lumber and seafood industries accounted for the slowdown. Southeast's lumber industry has been in decline throughout 1990, but until October growth in other industries managed to more than make up for these losses.

Southeast Alaska's strong ties to the manufacturing industry contribute to interesting regional differences in Alaska's economy. Southeast Alaska tends to behave in concert with the national economy while most other regions run contrary to current national trends. For example, in the early 1980s Alaska experienced a boom while the national economy was in a recession. The Anchorage and statewide economies were gaining jobs at the rate of 6-10% a year during Alaska's boom, while Southeast's growth was less than 3% annually. As is the current case, the wood products industry was the drag on Southeast's economy in those years.

The resurgence of hard rock mining in Southeast may provide a buffer for the current downturn in the timber industry. However, a planned molybdenum mine at Quartz Hill near Ketchikan will not be a contributor. U.S. Borax shelved the project in October after their permit application was denied. Meanwhile, debate continues on development of the Windy Craggy mine near Haines.

Summary: Economy Exhibits Growth In Spite of Seasonal Losses

Alaska experienced a seasonal loss of jobs from September to October, an annual occurrence as summer's boom fades into fall. However, the economy continued gaining jobs when compared to the previous year, and the unemployment rate stayed at a relatively low 6.4%.

All regions of the state showed employment gains from October 1989 except two. In Gulf Coast, comparisons are still clouded by 1989's short-lived jobs associated with the oil spill cleanup. In Southeast, an ailing wood products industry was the only damper on an otherwise healthy economy.

A look at employment growth for the first ten months of 1990 shows Anchorage gaining more than 4,000 jobs over 1989. Anchorage's improving economy, along with a better housing market, was one factor that allowed the Alaska Housing Finance Corporation to post a profit in 1990, the first since 1987. Fairbanks is also seeing an improving housing market and overall job growth of almost 3% for the first ten months of 1990, with the services sector showing the strongest growth.

In spite of a usual employment loss at this time of year, Alaska's economy continued posting job gains over 1989 in every industry and in almost every region. With a strong holiday season expected, the year should finish with a growth rate of 2-3%.

Table • 4

Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate			Employment		
	p/ 10/90	r/ 9/90	10/89	p/ 10/90	r/ 9/90	10/89	p/ 10/90	r/ 9/90	10/89	p/ 10/90	r/ 9/90	10/89
Alaska Statewide	257,656	259,692	253,175	16,562	16,527	16,247	6.4%	6.4%	6.4%	241,094	243,165	236,928
Anch.-MatSu Region	134,993	132,828	131,201	7,561	7,830	7,486	5.6	5.9	5.7	127,432	124,998	123,715
Municipality of Anchorage	119,445	117,562	115,939	5,847	6,164	5,723	4.9	5.2	4.9	113,598	111,398	110,216
MatSu Borough	15,548	15,266	15,262	1,714	1,666	1,763	11.0	10.9	11.6	13,834	13,600	13,499
Gulf Coast Region	28,029	30,283	28,520	2,520	2,535	2,513	9.0	8.4	8.8	25,509	27,748	26,007
Kenai Peninsula Borough	17,600	18,916	17,712	1,970	1,914	1,777	11.2	10.1	10.0	15,630	17,002	15,935
Kodiak Island Borough	6,156	6,756	6,489	200	278	417	3.2	4.1	6.4	5,956	6,478	6,072
Valdez-Cordova	4,273	4,611	4,319	350	343	319	8.2	7.4	7.4	3,923	4,268	4,000
Interior Region	37,165	37,429	36,226	3,065	2,869	2,838	8.2	7.7	7.8	34,100	34,560	33,388
Fairbanks North Star Bor.	32,073	32,387	31,268	2,505	2,421	2,318	7.8	7.5	7.4	29,568	29,966	28,950
Southeast Fairbanks	2,129	2,100	2,035	240	185	185	11.3	8.8	9.1	1,889	1,915	1,850
Yukon-Koyukuk	2,963	2,942	2,923	320	263	335	10.8	8.9	11.5	2,643	2,679	2,588
Northern Region	8,623	8,507	8,344	565	640	558	6.6	7.5	6.7	8,058	7,867	7,786
Nome	3,155	3,141	3,055	208	264	207	6.6	8.4	6.8	2,947	2,877	2,848
North Slope Borough	3,155	3,069	3,073	107	93	128	3.4	3.0	4.2	3,048	2,976	2,945
Northwest Arctic Borough	2,313	2,297	2,216	250	283	223	10.8	12.3	10.1	2,063	2,014	1,993
Southeast Region	36,117	37,597	36,140	2,256	1,995	2,279	6.2	5.3	6.3	33,861	35,602	33,861
Haines Borough	881	909	875	76	63	70	8.6	6.9	8.0	805	846	805
Juneau Borough	16,113	16,910	16,135	800	810	822	5.0	4.8	5.1	15,313	16,100	15,313
Ketchikan Gateway Bor.	6,760	7,017	6,726	485	419	451	7.2	6.0	6.7	6,275	6,598	6,275
Pr. of Wales-Outer Ketch.	2,743	2,826	2,766	246	200	269	9.0	7.1	9.7	2,497	2,626	2,497
Sitka Borough	4,210	4,350	4,184	221	156	195	5.2	3.6	4.7	3,989	4,194	3,989
Skagway-Yakutat-Angoon	1,736	1,807	1,737	177	168	178	10.2	9.3	10.2	1,559	1,639	1,559
Wrangell-Petersburg	3,674	3,778	3,717	251	179	294	6.8	4.7	7.9	3,423	3,599	3,423
Southwest Region	12,729	13,048	12,744	595	658	573	4.7	5.0	4.5	12,134	12,390	12,171
Aleutians East Borough	896	917	906	8	10	15	0.9	1.1	1.7	888	907	891
Aleutians West	2,514	2,571	2,530	25	30	34	1.0	1.2	1.3	2,489	2,541	2,496
Bethel	4,899	5,020	4,876	300	324	263	6.1	6.5	5.4	4,599	4,696	4,613
Bristol Bay Borough	492	506	491	23	27	20	4.7	5.3	4.1	469	479	471
Dillingham	2,282	2,324	2,323	85	80	119	3.7	3.4	5.1	2,197	2,244	2,204
Wade Hampton	1,646	1,710	1,618	154	187	122	9.4	10.9	7.5	1,492	1,523	1,496

Notes: p/ denotes preliminary estimates r/ denotes revised estimates Benchmark: 1989

- Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey in formulas used to allocate federal funds.
- Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor.
- The official definition of unemployment currently in place excludes anyone who has made no attempt to find work in the four-week period up to and including the week that includes the 12th of each month. Most Alaska economists believe that Alaska's rural localities have proportionately more of these discouraged workers.
- The employment numbers that appear above are definitionally different from those that appear in the Nonagricultural Wage & Salary Employment tables.

Source: Alaska Department of Labor, Research & Analysis Section.

Index of Articles Published in Alaska Economic Trends in 1990

JANUARY

Mass Layoffs in Alaska
Layoffs of more than 20 people in Alaska during 1988.

Women & Self-Employment
Profile of the significance of self-employment among Alaskan women

Employment Scene- October 1989
Alaska's Oct. 1989 employment and unemployment data examined.

FEBRUARY

Bethel
Economy of Southwest Alaska's regional center is profiled.

Alaska's Discouraged Workers
An examination of Alaskans out of the labor force.

Employment Scene- November 1989
Alaska's Nov. 1989 employment and unemployment data examined.

MARCH

1990 Census-It's Here
Explains procedures for the April 1990 Census of Population.

Kenai Peninsula Borough-
Profile of Kenai Borough economy through mid-1989.

Employment Scene- December 1989
Alaska's Dec. 1989 employment and unemployment data examined.

APRIL

1989: The Year In Review
How the oil spill impacted Alaska's economy during 1989.

Employment Scene- January 1990
Alaska's Jan. 1990 employment and unemployment data examined.

MAY

Employment Forecast
Employment trends through 1991 for Alaska, Anchorage, Fairbanks, and Southeast Alaska.

Employment Scene- February 1990
Alaska's Feb. 1990 employment and unemployment data examined.

JUNE

Juneau
Economy of Alaska's capital city profiled.

Alaska's Temporary Help Industry
An examination of the fill-in work force in Alaska.

Employment Scene- March 1990
Alaska's Mar. 1990 employment and unemployment data examined.

JULY

Manufactured In Alaska
Manufacturing employment trends in the 49th state.

The Aleutians: Islands in a Sea of Change
A profile of employment trends in the Aleutian Islands.

Employment Scene- April 1990
Alaska's Apr. 1990 employment and unemployment data examined.

AUGUST

The Trends 100
Alaska's 100 largest private employers during 1989.

Employment Scene- May 1989
Alaska's May 1990 employment and unemployment data examined.

SEPTEMBER

MatSu Recovery In Sight
Employment trends in the Matanuska-Susitna Borough.

The Gender Gap
Women in Alaska earn considerably less than men.

Employment Scene- June 1990
Alaska's June 1990 employment and unemployment data examined.

OCTOBER

Measuring Alaska's Cost of Living
Data on Alaska's high cost of living.

Employment Scene- July 1990
Alaska's July 1990 employment and unemployment data examined.

NOVEMBER

Alaska's Income Registers Strong Growth
Oil spill, recovery helped boost Alaskan wages, income.

Employment Scene- August 1990
Alaska's Aug. 1990 employment and unemployment data examined.

DECEMBER

Register's Ring for Alaska's Retailers
Alaska's retail industry employment examined.

Employment Scene- September 1990
Alaska's Sept. 1990 employment and unemployment data examined.

Alaska Economic Regions